

# Update on the Kenya Finance Bill, 2026

Following our earlier newsletter on the Draft Finance Bill 2026, we have undertaken a detailed review of the Gazetted Finance Bill 2026, which was gazetted on 5<sup>th</sup> May 2026, to highlight key changes and departures from the initial proposals. As part of the public participation process required under the Constitution for legislative matters, the Clerk of the National Assembly has subsequently invited the public and stakeholders to submit their comments on the Bill to the Departmental Committee on Finance and National Planning by 25<sup>th</sup> May 2026. This update outlines the provisions that have been retained, amended, or omitted, and provides an assessment of their potential tax, commercial, and sector-specific implications.

## Effective date

Draft Finance Bill 2026	Gazetted Finance Bill 2026	Implication
<p>The Draft Finance Bill 2026 indicated an effective date of 1<sup>st</sup> July 2027 for certain proposed provisions.</p> <p>In our earlier newsletter on the Draft Finance Bill 2026, we noted that this appeared to be a typographical error, as Finance Acts in Kenya typically take effect from 1<sup>st</sup> July of the year of enactment. Accordingly, we anticipated that the intended commencement date would be 1<sup>st</sup> July 2026.</p>	<p>The Gazetted Finance Bill 2026 has corrected this inconsistency, with most provisions now set to take effect on 1<sup>st</sup> July 2026.</p>	<p>The clarification of the commencement date provides much-needed certainty to taxpayers and aligns the Bill with the standard fiscal practice in Kenya.</p>

## Changes relating to specific Acts

Draft Finance Bill 2026	Gazetted Finance Bill 2026	Implication
<b>INCOME TAX ACT</b>		
<b>TAX ON INCOME FROM IMPORTATION OF WORN CLOTHING AND OTHER WORN ARTICLES</b>		
<p>12H. (1) Notwithstanding any other provision of this Act, a tax shall be payable by a person in respect of income derived from the importation into Kenya of worn clothing, worn footwear and other worn articles classified under tariff heading 6309.</p>	<p>Section not included in gazetted bill.</p>	<p>The omission of Section 12H means that the proposed presumptive tax regime on importers of worn clothing and related articles will not be introduced.</p> <p>As a result, importers will not be subject to a final tax based on 5% of customs value, which would have been payable upfront at the point of importation.</p>

Draft Finance Bill 2026	Gazetted Finance Bill 2026	Implication
<p>(2) For the purposes of computing the tax under subsection (1), the taxable profit shall be deemed to be five per cent of the customs value of the imported goods.</p> <p>(3) The tax payable under this section shall be due and payable upon importation and prior to the release of the goods and shall be a final tax in respect of the income.</p>		<p>This avoids an immediate cash flow burden and preserves the existing income tax framework, where tax is determined based on actual profits.</p> <p>From a commercial perspective, this maintains the current cost structure for traders in the second-hand clothing sector and avoids potential price increases that could have been passed on to consumers. The sector therefore remains relatively stable in terms of tax exposure and pricing dynamics.</p>
<p><b>IMPOSITION OF RESIDENTIAL RENTAL INCOME TAX</b></p>		
<p><b>6A. Imposition of residential rental Income Tax</b></p> <p>The rate of tax in respect of residential rental income shall be <b>ten percent</b> of the gross rental receipts of a taxable resident person under section 6A.</p>	<p><b>6A. Imposition of residential rental Income Tax</b></p> <p>The rate of tax in respect of residential rental income shall be <b>seven point five percent</b> of the gross rental receipts of a taxable resident person under section 6A.</p>	<p>The retention of the Monthly Rental Income Tax rate at 7.5% provides certainty and stability for landlords, particularly small and medium-scale property investors who rely on this simplified tax regime.</p> <p>The rejection of the proposed increase to 10% avoids an incremental tax cost that would have directly reduced net rental yields. This is particularly significant in a market already facing rising financing and maintenance costs.</p> <p>From a behavioral perspective, maintaining the lower rate may support continued voluntary compliance under the simplified regime and reduce incentives for landlords to shift to informal or non-declared rental arrangements.</p>
<p><b>VALUE ADDED TAX</b></p>		
<p><b>HEALTH SECTOR – CHANGE IN RATES</b></p>		
<p>The draft Finance Bill 2026 proposed the inclusion of human blood and animal blood prepared for therapeutic, prophylactic, or diagnostic uses under Tariff Number 3002.90.00 in the First Schedule to the VAT Act.</p> <p>Had this proposal been enacted into law, it would have resulted in human blood being exempt from VAT.</p> <p>This would have been a welcome move, as it would have lowered the cost of accessing human blood.</p>	<p>The proposal in the draft Finance bill has been omitted and therefore the VAT rate for human blood and animal blood prepared for therapeutic, prophylactic, or diagnostic uses under Tariff Number 3002.90.00 will be retained at 16%.</p>	<p>The omission of the proposed VAT exemption means that human and animal blood products will continue to be subject to VAT at 16%.</p> <p>As a result, there is no change in the current tax treatment. Suppliers will continue to charge output VAT while claiming input VAT on related costs.</p>

Draft Finance Bill 2026	Gazetted Finance Bill 2026	Implication
<b>EXCISE DUTY ACT</b>		
<b>PROPOSED CHANGES ON INCENTIVES ACCORDED TO EXCISABLE GOODS ORIGINATING FROM THE EAST AFRICA COMMUNITY</b>		
<p>The draft Finance Bill 2026 proposed to exclude goods originating from an East African Community Partner State that meet the East African Community Rules of Origin from the definition of "import."</p> <p>If enacted, this proposal would have exempted such goods from excise duty, thereby creating a competitive imbalance for local industries, as similar locally manufactured goods would remain subject to excise duty.</p>	<p>The Proposed change on the definition of import as per the draft Finance Bill 2026 has been omitted on the Gazetted Finance Bill 2026.</p>	<p>By retaining the current definition of "import," goods originating from EAC Partner States will continue to be subject to excise duty where applicable.</p> <p>This ensures tax neutrality between locally manufactured goods and imports from the EAC region, thereby protecting domestic manufacturers from an uneven competitive environment.</p> <p>Had the proposal been adopted, EAC-origin goods would have benefited from a tax advantage, potentially leading to increased importation at the expense of local production. Its omission therefore supports local industry sustainability and investment confidence.</p>
<p>The Draft Finance Bill 2026 proposed to amend the excise duty rate applicable to "imported ceramic sinks, wash basins, wash basin pedestals, baths, bidets, water closet pans, flushing cisterns, urinals, and similar sanitary fixtures under tariff heading 6910" by revising the rate from 5% of the excisable value or KShs. 50 per kg to 5% of the excisable value or KShs. 50 per kg, whichever is higher.</p> <p>This proposed amendment would effectively increase the excise duty burden on such imported products by ensuring that the higher of the two rates is applied.</p>	<p>The Gazetted Finance Bill 2026 has proposed to amend the excise duty rate to only 5% of the excisable value.</p>	<p>The removal of the specific rate of KShs. 50 per kg simplifies the excise duty structure and shifts taxation fully to an ad valorem basis (5% of value).</p> <p>This change is likely to benefit importers of heavier or bulkier products, where the per-kilogram rate previously proposed would have resulted in disproportionately high tax liabilities. Consequently, import costs may decrease, potentially translating into lower retail prices or improved margins for distributors.</p> <p>However, this may also increase competitive pressure on local manufacturers of similar products if imported goods become relatively cheaper.</p>
<b>CHANGE IN RATES</b>		
<p>New introduction not in the draft Finance Bill 2026.</p>	<p>The gazetted Finance Bill 2026 proposes to amend the rate of excise duty on "Imported ceramic flags and paving, hearth or wall tiles; unglazed ceramic mosaic cubes and the like, whether or not on a backing; finishing ceramics of tariff 6907" from 5% or KShs.300 per square metre, whichever is higher to 5% of excisable value.</p>	<p>The Gazetted Finance Bill 2026 proposes to amend the excise duty rate applicable to "imported ceramic flags and paving, hearth or wall tiles; unglazed ceramic mosaic cubes and the like, whether or not on a backing; and finishing ceramics under tariff heading 6907" by changing the current structure of 5% of excisable value or</p>

Draft Finance Bill 2026	Gazetted Finance Bill 2026	Implication
		<p>KShs.300 per square metre, whichever is higher to a flat rate of 5% of the excisable value only.</p> <p>This amendment would likely reduce the excise duty payable on such imports, especially in instances where the previous per-square-metre charge of KShs.300 resulted in a higher tax liability than the ad valorem rate.</p> <p>Consequently, the measure is expected to lower the overall excise duty burden on these goods, as taxation will now be applied solely at 5% of the excisable value regardless of the quantity or area of goods imported.</p>
<p>The draft Finance Bill 2026 proposed to extend this exemption from excise duty to cover the goods supplied for official use by the National Intelligence Service.</p>	<p>The Proposed exemption on the draft Finance Bill 2026 has been omitted on the Gazetted Finance Bill 2026.</p>	<p>The omission of the proposed exemption means that goods supplied for official use by the National Intelligence Service will continue to be subject to excise duty.</p> <p>Accordingly, there is no change in the current tax treatment.</p>

## TAX PROCEDURES ACT

### INTERNATIONAL TAX AGREEMENTS EXEMPTION ON STEEL IMPORTS

<p>40. Section 6A of the Tax Procedures Act is amended by deleting subsection (4).</p>	<p>This clause has not been included in gazetted Bill.</p> <p>Section 6A is thus retained as below:</p> <p>(4)A provision in any multilateral agreement or treaty that has been entered into by or on behalf of the Government of Kenya, or made pursuant to such agreement or treaty, relating to the imposition of import duty on—(a)imported steel billets of tariff heading 7207.11.00; and(b)imported wire rods of tariff headings 7213.91.00 and 7213.91.90,shall not apply for a period of two years from the commencement of this subsection, or for such other longer period as the Cabinet Secretary may, by notice in the <i>Gazette</i>, prescribe.</p>	<p>The Gazetted Finance Bill 2026 does not propose to amend Section 6A of the Tax Procedures Act by deleting subsection (4), as had been proposed in the Draft Finance Bill, 2026.</p> <p>Section 6A(4) was introduced by the Tax Procedures (Amendment) Act, 2024 and provides for an exemption from import duty on steel billets under HS code 7207.11.00 and wire rods under HS code 7213.91.90. The provision became effective on 27<sup>th</sup> December 2024 and is set to expire on 27<sup>th</sup> December 2026, or such longer period as the Cabinet Secretary may prescribe by notice in the <i>Gazette</i>.</p> <p>This exemption aligned with the EAC Gazette Notice issued in June 2024, through which Kenya stayed the application of the EAC Common External Tariff (CET) on these products.</p> <p>Under the EAC CET, wire rods under HS code 7213.91.90 attract import duty at 25% or USD 200 per metric tonne,</p>
----------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Draft Finance Bill 2026	Gazetted Finance Bill 2026	Implication
		<p>whichever is higher, while steel billets under HS code 7207.11.00 attract a duty rate of 0%. The EAC stay of application expired in June 2025.</p> <p>The proposal to retain this exemption is a positive development as it provides continued relief to manufacturers pending any further stay of application under the EAC framework.</p> <p>While Section 6A(4) remains in force until 27<sup>th</sup> December 2026, or on such later date as may be prescribed by the Cabinet Secretary.</p> <p>Manufacturers relying on these inputs will continue to benefit from relatively lower production costs which should help sustain the affordability of finished products for consumers.</p>

## MISCELLANEOUS FEES AND LEVIES

### DEFINITION OF EAST AFRICAN COMMUNITY PARTNER STATES

<p><b>Expanding definition of East African Community Partner states</b></p> <p>"East African Community Partner States" means the Republic of Kenya, the Republic of Uganda and the United Republic of Tanzania and any other country granted membership to the Community under Article 3 of the Treaty Establishing the East African Community.</p>	<p>Section not included in gazetted bill. The definition is retained as follows:</p> <p>"East African Community Partner States" means the Republics of Burundi, Rwanda, Uganda and the United Republic of Tanzania;</p>	<p>The decision not to expand the definition of EAC Partner States means that the scope of countries benefiting from preferential treatment under this Act remains unchanged.</p> <p>This limits the extension of any tax or levy benefits to new member states and maintains the current regional trade and tax framework.</p> <p>Businesses operating across the region will therefore not realize any additional benefits that could have arisen from an expanded definition, such as reduced levies or broader preferential treatment.</p>
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

## ROAD MAINTENANCE LEVY FUND ACT

### IMPOSITION OF ROAD MAINTENANCE LEVY

<p><b>3. Imposition of Levy</b></p> <p>1) The Cabinet Secretary shall, in consultation with the Cabinet Secretary for the time being responsible for finance, by Order published in the Gazette, impose on any or all petroleum fuels entered for home use in Kenya a road maintenance levy (in this Act referred to as "the levy") which</p>	<p><b>3. Imposition of Levy</b></p> <p>1) The Cabinet Secretary shall, in consultation with the Cabinet Secretary for the time being responsible for finance, by Order published in the <i>Gazette</i>, impose on any or all petroleum fuels entered for home use in Kenya a road maintenance levy (in this Act referred to as "the levy") which</p>	<p>The proposal is aimed at reducing the portion of the Road Maintenance levy paid into the Road Annuity Fund . The Fund provides the necessary finances to meet the national government's annuity payment obligations for road development and maintenance under the Annuity Programme.</p>
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Draft Finance Bill 2026	Gazetted Finance Bill 2026	Implication
<p>may be determined from time to time and in such manner as the Cabinet Secretary may specify in the Order.</p> <p>2) Out of the levy collected under subsection (1) there shall be paid an amount of <b>three shillings per litre</b> of petroleum sold into the Road Annuity Fund established under the Public Finance Management Act (Cap. 412A) to fund the construction of roads under the Road Annuity Programme and similar roads approved by the National Assembly.</p>	<p>may be determined from time to time and in such manner as the Cabinet Secretary may specify in the Order.</p> <p>2) Out of the levy collected under subsection (1) there shall be paid an amount of <b>one shilling and fifty cents per litre</b> of petroleum sold into the Road Annuity Fund established under the Public Finance Management Act (Cap. 412A) to fund the construction of roads under the Road Annuity Programme and similar roads approved by the National Assembly.</p>	<p>The Gazetted Finance Bill proposes to reduce the Road Maintenance levy portion from KShs 3 to KShs 1.50.</p> <p>If enacted, the proposal would only reduce a specific portion of the Road Maintenance Levy that is allocated to the Road Annuity Fund.</p> <p>For taxpayers and consumers, there is no direct reduction in fuel costs; however, the change may have long-term implications for infrastructure funding and delivery, which in turn affects economic activity and logistics efficiency.</p>



## NAIROBI

1st Floor, Pacis Centre,  
Slip Road, off Waiyaki Way, Westlands  
P.O. Box 349, 00606  
Nairobi, Kenya

Tel: +254 20 3614000 / 4451747 / 8 / 9  
Mobile: +254 706 347950 / 772 786111  
Email: [info@ke.rsm-ea.com](mailto:info@ke.rsm-ea.com)  
Website: [www.rsm.global/kenya](http://www.rsm.global/kenya)  
Contact: Elvis Ogeto (Managing Partner)

## KAMPALA

6th Floor, DTB Centre,  
Plot 17/19, Kampala Road  
P.O. Box 31704,  
Kampala, Uganda


Tel: +256 414 342780  
Email: [info@ug.rsm-ea.com](mailto:info@ug.rsm-ea.com)  
Website: [www.rsm.global/uganda](http://www.rsm.global/uganda)  
Contact: John Walabyeki (Managing Partner)

## MOMBASA

Acacia Center, Mezzanine 1,  
Nyerere Avenue  
P.O. Box 87227, 80100  
Mombasa, Kenya

Tel: +254 41 2311778 / 2312640 / 2224116  
Mobile: +254 707 613329  
Email: [infomsa@ke.rsm-ea.com](mailto:infomsa@ke.rsm-ea.com)  
Website: [www.rsm.global/kenya](http://www.rsm.global/kenya)  
Contact: Ashif Kassam (Managing Partner)

### Follow us for news and more updates on:

 RSM Eastern Africa    @RSMEasternAfrica    RSM Eastern Africa    RSM Eastern Africa

RSM Eastern Africa LLP & RSM (Eastern Africa) Consulting Ltd are members of the RSM network and trade as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm, each of which practises in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction. The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 200 Aldersgate Street, Upper Ground Floor South, London, EC1A 4HD. The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

© RSM International Association, 2026